1st Round Completeness Questions
Received: November 24, 2014
Submitted: December 29, 2014

Hospice of Washington County, Inc.
Establish a 12-bed General Inpatient Unit
Matter No. 14-21-2356

Re: Hospice of Washington County, Inc.
Establish a 12-bed General Inpatient Unit
Matter No. 14-21-2356

Staff of the Maryland Health Care Commission ("MHCC") has reviewed the above referenced Certificate of Need application and has found it incomplete. Accordingly, staff requests that you provide responses to the following questions.

PROJECT IDENTIFICATION AND GENERAL INFORMATION

1. Regarding Question #9, please speak to the current status and outline a tentative time schedule for HWC obtaining State and Local land use approvals, including zoning.

   RESPONSE: Hospice of Washington County, Inc. (HWC) met with Washington County officials and have been assured that Doey's House is a permissible use of the land under current zoning. As a result no hearings or administrative action will be required.

   HWC expects to receive a building permit upon review of the site plan and completed design drawings. HWC will be permitted to submit both the site plan and drawings for concurrent review. The expectation is that both will be complete in May and necessary permits will be received within 60 days thereafter. [**See Exhibit 23: Project Timeline**]

2. Please provide a copy of the signed lease agreement with Meritus Medical Center for the 4.8 acres site on which the GIP will be built.

   RESPONSE: Hospice of Washington County, Inc. has just completed a 90 day due diligence process with Meritus. A copy of the Letter of Intent [See **Exhibit 21: Letter of Intent**] is attached. A lease agreement is being developed at this time. It is estimated that the lease agreement will be fully executed by both parties within the next 90 days. At this time the due diligence has been completed and the lease agreement is being drawn. The lease agreement is expected shortly. A copy of the lease agreement will be forwarded to the MHCC upon receipt.

3. Please provide evidence that Meritus Medical Center supports HWC's efforts to establish a GIP either through a letter of support or some other documentation.

   RESPONSE: [See **Exhibit 1**: **Meritus Medical Center Letter of Support**]

4. Regarding your **Project Drawings,** please provide the room dimensions for each of the 12 patient rooms, as well as an example of how a typical patient room will be furnished and laid out. What provisions will HWC make for family and friends who wish to stay overnight at the GIP? Finally, please provide the total square footage for the GIP.

   RESPONSE: Patient rooms will be 20 x 20 feet and the total square footage for the project will be 15,500 with the additional of a mechanical room – thus this number will change slightly.

   Each patient room will be equipped with a pull-out sofa bed, reclining chair, Murphy bed, bedding, mini refrigerator, and storage area. Bathroom and shower facilities will be available as well as a common family kitchen area for heating up or preparing meals.

   [See **Exhibit 2: Layout of Typical Patient Room with Furnishings**]

PROJECT BUDGET

5. Please explain how the dollar amount set aside for contingency was arrived at.

   RESPONSE: Hospice of Washington County, Inc. (HWC) has calculated a 17% contingency. This amount was derived from the traditional 10% construction standard with an additional 7% added in to cover necessary green, technological and additional health care regulations before construction begins.

6. Please describe the type of work that is included in the $1.1 million budgeted for site preparation.

   RESPONSE: Site Preparation consists of two components:

   - Final grading and preparation of a "pad-ready" site after the storm water facility has been removed and rough grading has been accomplished: approximately **$500K**.
   - Providing an access road and utilities to the site: approximately **$600K** and includes the following:
     - Entrance road
     - Sewage lift station
     - Water service from curb of Yale Drive
     - Land Use Assessment (Washington County)
     - Electric/cable/communications service
     - Gas
     - Water and Sanitary tap fees

7. Since the applicant is considering a $2,501,000 mortgage loan, please respond to the following:

   a. Please provide the name of the institution and the rates and term for this mortgage loan. Please provide a copy of a letter from this institution confirming the arrangement for this mortgage loan.

   RESPONSE: Hospice of Washington County, Inc. has contacted the following financial institutions with regard to a construction and mortgage loan:

   Susquehanna Bank
   The Columbia Bank
   Bank of Charles Town
   PNC Bank

   Each of these financial institutions provided preliminary proposals [**See Exhibit 3: Summary of Proposed Mortgage Terms**]. In addition, two of these financial institutions are researching the feasibility of additional financing options designed specifically for not-for-profits.

   Hospice of Washington County, Inc. currently has enough capital to pay for the project. HWC chooses to finance it in part to maintain a certain level of liquidity. The cost to borrow money is more responsible from a fiduciary standpoint than it is to pull monies from HWC's investment accounts.

   In addition, a review of HWC's financial statements show that HWC is in excellent financial condition. Copies of audited financial statements for 2010, 2011, 2012 and 2013 are attached. [See **Exhibits 4 and 5: Financial Statement for 2010 – 2013**].

   A copy of our unaudited financial statements as of October 31, 2014 is also attached. [See **Exhibit 6: Unaudited October YTD 2014 Financial Statement**]. As of October 31st, 2014, HWC had over ten million dollars in current assets.

   In addition, Hospice of Washington County, Inc. has a current unused line of credit with Columbia Bank for $2.5M.

   b. Will there be interest costs accrued from borrowed funds during construction, i.e., will there be a construction loan? If so, please amend the Project Budget to Reflect that. See **Exhibit 7: Construction Loan Interest Worksheet**

   In order to consistently display the interest throughout the documents submitted, HWC is re-submitting the **Project Budget pages 13 and 14** as well as the Project Description (3) **page 11** of the original application. [See **Exhibit 24: Resubmission of original application pages 11, 13, 14 showing Interest costs**]

8. Please document how HWC will obtain the $250,000 in State bonds for this project.

   RESPONSE: Hospice of Washington County, Inc. has been informed of a $250,000 Bond Bill

award. Attached please find a scanned copy of the letters indicating this. There are two identical letters because $125,000 was awarded from the House and $125,000 was awarded from the Senate.
[See **Exhibit 8: Bond Bill Awarded from the Maryland House of Representatives** and **Exhibit 9: Bond Bill Awarded from the Maryland Senate**]

STATE HEALTH PLAN STANDARDS

9. Please provide a copy of the policy on **Admissions Criteria** to HWC. Do the admissions criteria include limits based on the availability of a caregiver?

   RESPONSE: See **Exhibit 10: Revised Admissions Criteria Policy**

   The patient is encouraged to identify a family member, a caregiver or a legal representative who agrees to be a primary support care person. Terminally ill patients (who are currently independent in activities of daily living) without an identified support person will require the development of a specific plan for the future need of a primary support person. HWC personnel will discuss and plan for this prior to immediate need.

10. Please identify how HWC will provide the following Minimum Services to patients:

    RESPONSE:

    a. **Homemaker services –** Currently, HWC's Certified Nursing Assistants provide light housekeeping in the patient's home. Upon opening the inpatient unit, HWC plans to subcontract environmental services from Meritus Medical Center.
    b. **On-call nursing Response –** HWC provides on-call nursing services directly with staff from the organization. The "contractual agreement" referred to in the first draft of the CON on page 18 refers to the answering service used after hours to do phone call intake and notify our on call staff. The general inpatient unit will have 24/7 nursing staff and will not require the use of the answering service except for new referrals in after hours. HWC nursing leadership currently takes on-call as a support to the on-call field nurses and will do so for the nursing staff of the inpatient unit. [**Exhibit 27 : Flow Chart for On-Call Nursing Response**]
    c. **Laboratory, radiology and chemotherapy services –** HWC currently utilizes Meritus Medical Laboratory for laboratory needs. In our current environment, should a hospice patient require radiological services, the patient typically goes to a radiology center, the hospital or urgent care. HWC is in contract negotiations with "Mobile X" to provide portable x-ray services for the general inpatient unit. Initiation of palliative chemotherapy begins at Meritus Medical Center or in a location of their choice. HWC also contracts with Pharmacare Infusion Services. [See **Exhibit 32: Current Contract with Meritus Medical Center (Washington County Hospital System)**]
    d. **Special Therapists –** HWC currently contracts with O'Neill Physical Therapy, Five Star Therapy, and Fox Rehabilitation Therapy Services for speech, occupational, and rehabilitation services.

11. Regarding **Volunteers,** please describe in detail what special recruitment and special education programs will be designed and/or needed for the inpatient unit volunteers.

RESPONSE:

a. In order to provide an adequate level of volunteer support for the patients in the inpatient unit, additional volunteers will need to be recruited. Volunteers that will be utilized in the inpatient unit include companion volunteers, 11th hour volunteers, special service volunteers (hair, massage, pet and music), and office volunteers. Targeted recruitment for each volunteer position will be needed, which will include recruitment messages outlining the features of the position- when, what, where and with whom, as well as the benefits and rewards of participating in the particular volunteer position. Methods of recruitment will include (but will not be limited to):
    i. Ads in the local newspaper
    ii. Fliers and bulletins distributed in the community: local business, churches, organizations Facebook
    iii. VolunteerMatch.com
    iv. Speaking engagements at local churches and community organizations
    v. Recruit a Friend letter

e. Training for the inpatient unit volunteers will include the 16 hour Volunteer Training that all volunteers complete prior to beginning to volunteer. This training provides information on:
    i. History and philosophy of hospice
    ii. Concepts of death and dying
    iii. Care and comfort measures
    iv. The role of the volunteer
    v. Family dynamics and psychosocial aspects of caring for the dying
    vi. Patient Rights and Ethics
    vii. Concepts of Grief and Loss
    viii. Communication skills
    ix. Safety and Infection Control
    x. Confidentiality and Compliance

f. In addition to completing this training, all inpatient unit volunteers will receive training on:
    i. Facility layout
    ii. Emergency Response Plan for the building
    iii. Safety Protocols for the building
    iv. Specific training on particular job duties (for example, feeding, kitchen assistance, greeting families, serving meals, etc.)

12. Regarding **Caregivers,** please discuss how they will be trained and provide examples on the type of educational materials HWC will provide lo family members and caregivers.

RESPONSE: Currently, Hospice of Washington County trains caregivers by demonstration via the nurse or CNA. HWC staff not only demonstrate skills but ask for return demonstration from the caregiver to assure competence (this includes direct patient care as

well as medication administration). HWC also offers education materials to our caregivers regarding the stages of change which occur at the end of life. Our DME vendor, National HME, provides the caregiver education upon delivery of a specific DME (hospital bed, oxygen, etc.). The caregiver signs off on the education provided. HWC RNs and CNAs reinforce that education to the caregiver as needed.

13. Regarding **Impact,** please discuss the impact to Meritus Medical Center of losing inpatient hospice patients.

RESPONSE: Meritus Medical Center is a **Total Patient Revenue (TPR)** acute care hospital. The Total Patient Revenue System ("TPR") is a revenue constraint system developed by the Maryland Health Services Cost Review Commission to provide hospitals with a financial incentive to manage their resources efficiently and effectively in order to slow the rate of increase in the cost of health care. The TPR also is consistent with the hospital's mission to provide the highest value of care possible to the community it serves.

The basic concept embodied in the TPR is the assurance of a certain amount of revenue each year, independent of the number of patients treated and the amount of services provided to these patients. The hospital, therefore, has the incentive to reduce length of stay, ancillary testing, unnecessary admissions and readmissions, as well as improve efficiency in the provision of services while treating patients in a manner consistent with appropriate, high quality medical care.

It is to the advantage of Meritus Medical Center as a TPR to have patients who have need of pain and symptom management to be treated outside of the hospital setting. The impact of the general inpatient unit upon Meritus Medical Center will be a positive impact to their bottom line and the revenue they will be able to retain as the patients are cared for outside of the Meritus system.

If operations for general inpatient in Washington County would continue as currently provided, the net loss projections for 2017 would exceed 75%. Meritus Medical Center will benefit by HWC's general inpatient unit by reducing costs and by freeing acute beds to serve those residents who are in need of emergent and acute treatment.

It is for this reason and for the building of a robust community health care continuum that Meritus Medical Center submitted a letter of support for the building of the general inpatient unit, Doey's House. In addition, they leased HWC the land for the first 50 years with an additional 50 year option.

14. Regarding **Information to Providers and the General Public,** please provide examples of the educational materials that HWC currently provides to health care providers and the public. The information should include details such as the program's services, service area, reimbursement policy, office location, telephone number, and a list of the current fees at HWC.

[See **Exhibit 33: Packet of Marketing Materials for Hospice of Washington County**]

15. Regarding the **Charity Care and Sliding Fee Schedule,** please show that your policy includes the following:

a. Please revise your Charity Care Policy and Fee Scale to include its dissemination to the public on an annual basis, describing the methods used to distribute this information. [See **Exhibit 20: Revised Charity Care and Fee Scale]**

b. Please show that your Charity Care Policy is easily found on the HWC website.
RESPONSE: The website, www.hospiceofwc.org, displays the financial responsibility for hospice care as a separate tab under About Us. The statement that is on the website can be viewed in the appendices of this document. This statement will be updated each year on the website where it can be viewed by the public 24/7. Notice of the new statement will be published in the HWC newsletter. [See **Exhibit 25: Financial Responsibility for the Website]**

c. Please discuss the types of time payment plans that HWC will make available to patients. [See **Exhibit 22: Payment Plans for Hospice Care]**

16. Regarding **Quality,** please respond to the following:
RESPONSE:

a. **Who is the individual responsible for performing HWC's quality assurance program?**
Rebecca Johnson, RN, BSN, MSN – Director of Quality, Compliance and Education

b. **Discuss how HWC's quality assurance and improvement program is consistent with COMAR 10.07.21.09F, Utilization Review.**

v. Hospice of Washington County is accountable for the appropriate allocation and utilization of its resources in order to provide optimal care consistent with patient and family needs. Hospice of Washington County monitors and evaluates its resource allocation regularly to identify and resolve problems with the utilization of its services and personnel. Monitoring includes a review of the following utilization concerns:

1. Appropriateness of interdisciplinary team (IDT) services and level of services being provided
    a. Pursuant to the COMAR regulations for hospices, HWC's IDT meets every 14 days to review the patient's plan of care, goals of the patient and coordination of services.
2. Appropriateness of patient admission to hospice
3. Regular review of patient length of stay
4. Delays in admission or in the provision of interdisciplinary team services
5. Specific treatment modalities

vi. Monitoring occurs in various ways – clinical chart audits, patient reviews, IDT process, length of stay reports/reviews, PEPPER report, and admission statistics on a quarterly basis in the Quality Improvement Plan, etc.

17.

a. Regarding **Patients' Rights,** please revise your Policy #1001 Patients' Rights and Responsibilities so that it addresses the following patient rights identified in COMAR 10.07.21.21. Subparagraph 9 -Be informed of short-term inpatient care options available for pain control, management, and respite.

b. Subparagraph 10-Be informed of the hospice care program's discharge policy

c. In addition, please provide copies of the policies or other documentation of what patients/representatives are told in the admission process with regard to: the levels of hospice care offered; the right to refuse hospice care; the discharge policy; and the readmission option, which you discuss in the third paragraph on p. 38 of your CON application.

RESPONSE: This revision was completed. HWC submits the copies of the admission process, levels of care, explanation of services, and discharge policy.

The answers to 17a, 17b, and 17c are addressed within the following exhibits:

Exhibit 10: Revised Admissions Criteria Policy
Exhibit 11: Revised Policy #1001 Patients' Rights and Responsibilities
Exhibit 12: Admission Information for Patients/Families
Exhibit 13: Levels of Care
Exhibit 14: Explanation of Services
Exhibit 15: Discharge Policy

18. Regarding the **Inpatient Unit,** please respond to the following:

Need

a. Please provide the historical number of patients needing inpatient hospice care at Meritus Medical Center for calendar year 2012 and YTD 2014.

RESPONSE: In 2012, HWC used the Meritus Medical Center to administer general inpatient level of care for its current patients. A number of patients also were referred to hospice care by the MMC staff and some of those were cared for by HWC at a general inpatient level of care upon admission. Noteworthy were the patients who were not referred to HWC; there were 512 patients who resided in the Palliative Care unit and only 66 were referred to HWC. Since then with more and more education for the staff at MMC, the numbers referred are rising. HWC has established a track record of reduced lengths of stay and reduced costs. In addition, there were 129 patients who were seeking a hospice house and left the area to seek the hospice house for the end of life. HWC also had patients who revocated or transferred from HWC to seek a

hospice house environment. Numbers for the Meritus potential in 2014 are not yet available.

In the meantime, HWC has established a presence in all areas of MMC and more and more the staff of the hospital are relying on the expertise of HWC. The 2014 numbers of patients referred to general inpatient are expected to rise as understanding and trust is developed throughout the hospital.

b. Please discuss the basis for the use of 5.8% of HWC's average daily census needing care in the GIP. How did you arrive at this use rate?

RESPONSE: The use rate of 5.8% is cited as a result of a study done by HealthCare Market Resources and published in their Market Research Letter: May/June 2009. The study [See **Exhibit 28: Healthcare Market Research Study**] was conducted in high volume counties; Florida was chosen for the study for the pre-dominance of non-profit hospice providers. Each of these providers had at least 5.8% general inpatient days when compared to the total hospice patient days for that county.

Extrapolation of the calculation at 5.8% is demonstrated in the Proforma [See **Exhibit 26: Doey's House Proforma: First Ten Years at 5% and 5.8% of Patient Days**] over the first ten years of operation. Additionally, for a more conservative calculation, the same extrapolation is submitted at 5%; the reasoning is to error on the side of a conservative calculation due to the increased scrutiny of the regulatory environment in the use of general inpatient level of care since the study was conducted as well as the county having just one hospital as a feeder to the proposed general inpatient unit.

Both the 5.8% Proforma as well as the more conservative 5.0% Proforma support the need for at least a 12 bed unit and offer justification for the pad-ready construction to add an additional 4 beds in the future.

Impact

a. **Please provide the number of patients from Frederick County or other contiguous counties that HWC expects to serve at the proposed GIP.**

RESPONSE: The number of patients from Frederick County who may use Doey's House are expected to be limited in nature. The reason for this limited number is that Hospice of Frederick County is owned by Frederick Memorial Hospital. It is presumed that those patients who need a general inpatient level of care would most likely be served by the hospital. Hospice of Frederick County does have a residential hospice house that is not staffed to handle a general inpatient level of care. It is unlikely that many patients will choose to have their loved one move out of the county to use the hospice house in a neighboring county when the hospital could

provide the pain and symptom management needed. However, if a patient chooses to have care in the HWC inpatient unit, HWC will provide that care.

In bordering Pennsylvania counties, there are multiple hospices that are served by the Chambersburg, Waynesboro, Fulton, and Adams County hospitals. The residents in these counties can utilize the hospitals in the Pennsylvania areas to serve general inpatient levels of hospice care. Again, it is not likely there will be large volumes of these patients, but HWC will be open to serving any patient who is residing within Washington County area when needing general inpatient care. HWC sees opportunities to gain patients from these counties as there is no free-standing hospice houses in these areas; however, no statistical quantification is currently available.

To the south of Washington County is West Virginia. West Virginia is also a Certificate of Need state and a new inpatient unit opened in March of 2014. HWC does not anticipate great usage of the Washington County inpatient unit by those in the neighboring West Virginia counties.

b. **Will there be a positive or adverse effect on other hospices serving these jurisdictions?**

RESPONSE: HWC believes the effect on other hospices, especially Hospice of Frederick County, to be relatively neutral. The small number of patients who may choose to move to Doey's House for general inpatient care will be minimal to the overall patient days for that county. Given that Maryland is a Certificate of Need state, the impact will be minimal.

CERTIFICATE OF NEED CRITERIA

Need

19. Please provide a map of Washington County and the surrounding areas that show the primary service area (including zip codes) for the proposed GIP.

RESPONSE: Please see the following:

Exhibit 16: Washington County and Surrounding Area

Exhibit 17: Washington County, Maryland Zip Codes Served

Availability of More Cost-Effective Alternatives

20. Please discuss the qualifications or training that will make the personnel of HWC

superior with regard to palliative and hospice care.

RESPONSE:

a. HWC provides multiple educational opportunities for the staff. Weekly webinars are offered in a variety of topics to meet the needs of all disciplines. We offer the End of Life Nursing Education Consortium (ELNEC) Train-the-Trainer program for our nursing staff not only to educate further on palliative care but to also train the nurses to be able to disseminate palliative care education to the community. Nurses have the opportunity to, and are encouraged to, sit for the Hospice and Palliative Care Certification exam to become certified in hospice and palliative care. HWC currently has more than 50% of its nurses CHPN certified. Our Chief Medical Officer, Dr. Alva Baker, is certified in hospice and palliative care.
b. HWC has also contracted with Weatherbee Resources, Inc. a company which provides consultative services and educational products to hospices. Weatherbee is the leading provider of consultative services for hospices and has also developed the most comprehensive manuals and other resources designed to assist hospices meet regulatory challenges. HWC had purchased educational webinars from Hospice Education Network to provide continuing education to the nursing and medical staff.
c. HWC's education is provided in part by the National Hospice and Palliative Care Organization (NHPCO) and by the educational arm of the Hospice and Palliative Care Network of Maryland (HPCNM). As a member of both of these organizations, HWC is able to access the most current educational materials for the clinical staff's edification. HWC is also a member of the Center to Advance Palliative Care (CAPC); as a member, HWC takes advantage of the access to multiple educational opportunities to keep abreast of the latest advancements in palliative care.
d. HWC education department employs a nurse preceptor to provide competency training on various activities (pain pumps, drains and other procedures). The nurse preceptor is available to all nurses for educational support.
e. HWC was the recipient of the DEYTA Hospice Honors Award for 2014 – the only hospice in Maryland to be awarded. This recognition is given to hospices that continuously provide the highest level of satisfaction through their care as measured from the caregiver's point of view. Hospices must score above at least 85% of the evaluated question on the FEHC survey.

Viability of the Proposal

21. Please discuss how operating the GIP with a projected net loss reported on p. 42 of your CON application of $323,408 is a cost effective alternative for the residents of Washington County. How will the applicant offset these operating losses in the future?

RESPONSE: Based on monthly net financial 'run' rate projections the breakeven period will occur in month 22 [**See Exhibit 18 and 19: Breakeven Analysis and Worksheet Computations**] or with an average daily census of 10. Notwithstanding #1, HWC's net income from operations in 2013 was approximately $1.7M. Based on October 2014 financial statements, net income projections will exceed $1.7M. This will allow HWC to easily subsidize projective losses. In addition, the second phase of the capital campaign will be to raise $5M which would be placed

in an endowment fund. HWC estimates the interest from the endowment will be approximately 5% resulting in annual earnings of $250K in perpetuity.

22. The application failed to respond to sections b., c., and d., which are:

b. Existing facilities shall provide an analysis of the probable impact of the Project on the costs and charges for services at your facility.

RESPONSE: Given that Hospice of Washington County is a sole provider of hospice services in Washington County due to the Certificate of Need designation, the impact upon other hospices is non-existent within the county. The impact to other hospices in surrounding Maryland counties is also minimal as each neighboring county is a hospice owned by the hospital system of that county. It is likely that both Alleghany and Frederick hospices will utilize their parent corporation for general inpatient hospice level of care; HWC believes it will only be on rare occasions that a patient/family may opt into moving to Washington County's hospice general inpatient unit for treatment.

The largest impact will be upon Meritus Medical Center who has been the contracted host for Hospice of Washington County's general inpatient unit. The impact, as discussed earlier, will be a positive impact on the profitability and the reporting of Meritus Medical Center. As a Total Patient Revenue hospital, Meritus will be able to realize cost savings by having HWC maintain a free-standing general inpatient unit.

c. A discussion of the probable impact of the Project on the cost and charges for similar services at other facilities in the area.

RESPONSE: Since Washington County does not have similar services at other facilities, there is no impact of the project on other facilities' costs and charges. The entity impacted the most will be Meritus Medical Center who will be benefited by Doey's House.

d. All applicants shall provide a detailed list of proposed patient charges for affected services.

RESPONSE: Hospice of Washington County's patient charges for services are based on the allowable Medicare, Medicaid, and insurance providers. [See **Exhibit 29: Detailed List of Proposed Patient Charges**]

Impact on Existing Providers

23. The response to this criterion only addressed the latter parts of the criterion that refer to staffing and recruitment. Please discuss the broader impact addressed in the

criterion.

RESPONSE: Given that this is a work in progress, it is anticipated that there will be no impact on any existing providers other than Meritus Medical Center. We project a substantial increase in geographical and demographic access to our services given that these services are currently being provided primarily in an acute care environment.

The acute care environment does not provide a desired home-like setting. Specifically, it does not provide for the high quality environment needed for family support. In relation to Meritus Medical Center, current beds provided for GIP patients can now be used to increase acute patient care access to the community residents of Washington County.

Moreover, with the existence of Doey's House, Meritus Medical Center will not only reduce their mortality scores but they will also benefit from the decrease in expenditures previously incurred by their general inpatient unit.

TABLES

24. Regarding Table 2A, please discuss the following:

a. Please explain how you calculated Average Length of Stay from 2012 through 2017. Staff calculations do not agree with what is reported on Table 2A.

RESPONSE: The patient days shown on Table 2a are the total calendar year patient days. It represents all patient days for all patients served during the calendar year, regardless of when the patient was admitted or deceased. It is not used in the calculation of Average Length of Stay. The patient days for the purpose of the Average Length of Stay are the total days for the patients served during the year who were not still in Hospice care at the end of the year. This is done in order to include the total days that a patient was served, not just the days served in the calendar year.

Average Length of Stay is calculated by determining the number of patients who were served during the year who were not still living during the next year. The patients served for the purpose of this calculation are those who are in Hospice care at the beginning of the year and those that were admitted or re-admitted during the year, but does not include those who were still living at the end of the year. Those still in Hospice care at the end of the year are not included because the actual days of service are continuing and not yet finalized with a termination of service.

The amount shown as average length of stay for 2014 is an estimate. The exact ALOS calculated through November is 91,955 patient days divided by 900 patients served = 102.17.

Due to an effort to comply with recent CMS interpretations of regulations regarding patient days, Hospice of Washington County, Inc. is estimating that the ALOS will be reduced in future years. Therefore, the figures for 2015, 2016, and 2017 are estimated at 80.1, 75.2 and 75.2 respectively.

b. Please explain the large increase observed in Admissions, Patients Served, and Patient Days between 2012 and 2013.

RESPONSE: Increases have occurred because of HWC's change in strategic direction. More outreach efforts were implemented in 2013 resulting in a 36% increase in new admissions. Modifications to the infrastructure increased referral conversion rates from 62% to 66%. Assisted living facilities average daily census rates increased by 30%. Nursing facilities census rates increased 18%. Home average daily census rates increased 18%.

25. Regarding Table 2B, please respond to the following:

a. You indicate for CY 2017 that the GIP will admit 528.4 palliative care patients with an ALOS of 4.5 days, creating an average daily census ("ADC") of 6.51. These projected numbers are similar to the numbers reported on p. 20 for the 516 palliative care patients who were treated at the Meritus Medical Center with an ADC of 6.4 for CY 2013. Please provide a quantitative analysis which supports the need for HWC to construct a general inpatient unit with 12 beds, and not a program with a smaller number of beds.

The similarity of the numbers present for the CY2017 and the numbers who were treated by MMC for CY2013 is just coincidental. The quantitative analysis used to determine the need for a 12 bed general inpatient unit was based upon a study done by **Health Care Market Resources** and was published in their **Market Research Letter: May/June 2009**. This study [See **Exhibit 28: Healthcare Market Research Study**] was conducted by analyzing data gathered from 20% of the counties in Florida with the highest ratio of general inpatient beds. Each of these counties had at least 5.8% general inpatient days when compared to the total days for that county. These counties were chosen because of the predominance of the non-profit hospice provider base.

The total hospice patient days multiplied by 5.8% subtracted by the number of inpatient days used will determine the unmet demand in days. When Hospice of Washington County, Inc. determined its bed need, it did an analysis both using the 5.8% as well as 5.0% for a more conservative view. The more conservative view was needed to be considered due to the recent regulatory environment at the Centers for Medicare and Medicaid; the Length of Stay is being scrutinized more in 2014 than it was in 2009 when this study was published. Also, being a rural setting with only one feeder acute hospital, HWC chose to take a more conservative approach. [See **EXHIBIT 26: Doey's House Proforma: First Ten Years at 5% and 5.8% of Patient Days**] Both analyses show the need for a minimum of 12 beds with a need for additional beds within ten years. HWC chose to ask only for the conservative 12 bed

unit at this time. The construction is being built pad-ready to add an additional 4 units in the future. The year 2018 requested is included in the Proforma spreadsheets.

b. Explain why you project partial numbers (decimal points) in 2016 and 2017 for Admissions, Non-Death Discharges, and Patients Served. [See **EXHIBIT 30: Re-submission of Statistical Projections Table 2B**]

c. What assumptions did you use for the GIP's utilization projections in 2017 and 2018? The assumptions used were based upon the previously cited study by Healthcare Market Research and are printed on the bottom of the spreadsheets submitted. [See **Exhibit 26: Doey's House Proforma: First Ten Years at 5% and 5.8% of Patient Days**]

26. Regarding Table 3, please respond to the following:

a. Provide the assumptions used with this Revenue & Expense Statement.
RESPONSE: The Revenue and Expense statements for 2012 and 2013 are taken from the historical audited financial statements of Hospice of Washington County.

The Revenue and Expense statement for 2014 is estimated by taking HWC's self-prepared financial statements through July 2014 and using those statements as a basis to project the remaining 5 months of the year. July's financial statements were the most recent at the time this information was compiled.

The Revenue and Expense statement for 2015 was computed by using the 2014 statements as described above and applying a 3% across-the-board increase to revenues and expenses.

The statements for 2016 and 2017 similarly apply a 3% across-the-board increase to the non-GIP financial information. The results are added to computations for the GIP unit. It is assumed that the GIP unit will begin operations in July of 2016 and that the ADC and expenses will follow those outlined in HWC's breakeven analysis. [See **Exhibit 18: Breakeven Analysis for GIP Unit**].

A worksheet of the above computations is attached. [See **Exhibit 19: Worksheet Computations**].

b. Please explain the dramatic decrease in both Allowance for Bad Debt (-92.1%) and Charity Care (-35.7%) from 2012 to 2013, and the subsequent increase for both in the following year (2014). What was the reason for the swing in Allowance for Bad Debt and Charity Care during this three-year period?

Regarding the Bad Debt and Allowance for Doubtful Accounts:

Prior to 2012, HWC accounted for bad debt expense using the direct write-off method, i.e. when an account was determined to be uncollectable, it was written off. During 2012, HWC underwent an audit by CGS with respect to billing. CGS issued 80 Additional Document Requests (ADR's) on accounts which amounted to $281,249. When HWC underwent its annual audit, the auditors recommended that these be recorded on the financial statements as Allowance for Doubtful Accounts and as Bad Debts. This represented a change in accounting policy, but they believed that by recording these in 2012, the financial statements would more accurately reflect net income. However, an ADR is not necessarily a bad debt, information can be provided and the account in question can be paid. In fact, a number of them were paid.

During the 2013 audit, the auditors re-thought their position and requested that we record Allowance for Doubtful Accounts and Bad Debt Expense as a percentage of accounts billed. They explained that this method would more accurately reflect bad debt expense. In 2013, HWC collected a number of the ADR's that were written off in 2012. In addition, HWC wrote off actual uncollectable accounts. These two things offset each other and netted to $22,435.

During 2014, the actual bad debts that have been determined to be uncollectible and have been written off amount to $103,519.76 (.6% of revenue) through October 2014. Because this is an exact number and can be verified, HWC believes that this larger figure is the amount that should be used for future estimates.

Regarding Charity Care:
Hospice of Washington County, Inc. does not turn a patient away based upon their ability to pay. The mix of patients who are without insurance and do not have the ability to pay is based upon economic factors outside of HWC's control such as housing costs, employment opportunities and cost of living.

The cost of this care varies based upon the length of time the patient is in Hospice Care. HWC remains committed to serving all patients who need Hospice services in Washington County. [See **Exhibit 20: Charity Care Policy Revised**].

c. Please explain the source for the Non-Operating Income, and how it is projected to increase from $423,198 in 2012 to $1,344,808 in 2017.

The Non-Operating Income is a combination of net fundraising income and investment income. During 2012, Hospice of Washington County, Inc. had net fundraising income of $225,370 and investment income of $197,827. During 2013, HWC had net fundraising income of $563,380 and investment income of $296,468.

The Development department of Hospice is currently spearheading a major campaign to raise money for the proposed inpatient unit construction and for an Endowment Fund that will be used to sustain the operations of the Hospice House in the future.

27. Given that Table 4 shows significant losses for 2016 and '17, please extend the projected Revenue and Expense Statement to show when the GIP is expected to breakeven and turn a profit. If that is never expected, please discuss how it will be subsidized or cross-subsidized by other operations or sources of funds. [See **Exhibit 30: Extended Projected Revenue and Expense Statement (Table 4)** and **Exhibit 18: Breakeven Analysis for GIP Unit**] The breakeven month of operation will be in month 21.

TABLE OF CONTENTS FOR EXHIBITS REFERENCED IN 1ST COMPLETENESS RESPONSES

TABLE OF CONTENTS FOR EXHIBITS REFERENCED IN 1ST COMPLETENESS RESPONSES (continued)